Cavotec SA – Q318 Report

November 2, 2018

Improved profitability and cash flow

JULY–SEPTEMBER 2018

- Order intake decreased 4.9% to EUR 37.2 million (39.1)
- Order book increased 7.3% to EUR 104.7 million (97.5)
- Revenues decreased 5.9% to EUR 49.2 million (52.2)
- EBIT excluding non-recurring items increased to EUR 2.1 million (0.8), corresponding to an improvement of the EBIT margin to 4.4% (1.6%)
- Non-recurring items resulted in an income of EUR 0.7 million, due to a lower outcome of an extraordinary warranty cost at the end of a project
- Net result for the period was EUR 1.2 million (-7.6)
- Earnings per share, basic and diluted, amounted to EUR 0.016 (-0.097)
- Operating cash flow amounted to EUR 4.3 million (-2.7)

JANUARY–SEPTEMBER 2018

- Order intake increased 11.4% to EUR 167.3 million (150.1)
- Order book increased 7.3% to EUR 104.7 million (97.5)
- Revenues decreased 4.9% to EUR 148.1 million (155.8)
- EBIT excluding non-recurring items increased to EUR 3.8 million (2.7), corresponding to an improvement of the EBIT margin to 2.6% (1.7%)
- Non-recurring items amounted to EUR 6.5 million, of which EUR 6.8 million is related to the US litigation provision
- Net result for the period was EUR -5.1 million (-11.4)
- Earnings per share, basic and diluted, amounted to EUR -0.065 (-0.145)
- Operating cash flow amounted to EUR -0.5 million (-5.0)
- Net debt increased to EUR 31.3 million (FY2017: 20.4)

Unless otherwise stated, figures in brackets refer to the same period in the preceding year.

Comment from the CEO

Transformation progressing according to plan
– restructuring programme and fully guaranteed rights issue next steps

Cavotec's order intake increased 11.4% year-over-year in the first nine months and the order book was at the end of the quarter worth EUR 104.7 million. This is 7.3% higher than at the same time in 2017 and 22.3% higher than at the end of last year. This gives us a solid base to build on.

Revenues in the nine months to date were in line with last year in local currencies, but down 4.9% including exchange effects. The soft order book at the end of 2017 explains the development to some extent but continuing start-up issues in our new production facility in Italy also contributed. The production issues are being addressed under the leadership of our Chief Operations Officer, who is in place since July, and should be solved before the year end.

A New Day, our transformation program, is progressing well with two thirds of the 50 projects completed or almost completed. We see clear signs that the transformation is starting to take hold. Higher quality decision making as a result of the new processes has increased the cost control in the Group. This translated into higher gross and EBIT margins in the third quarter, despite the lower revenues.

At the beginning of October, we announced the second phase in the transformation of Cavotec with a programme to address structural inefficiencies in the Group caused by a historically fragmented organization. The programme will focus on reducing SG&A and other inefficiencies and is targeting annual savings of approximately EUR 10 million by 2021, whereof significant run-rate savings already in 2019.

The reduction in headcount as a consequence of the restructuring is estimated to be around 100 people spread across multiple locations. In addition, the programme will include a reduction in the number of legal entities the Group has today. This is expected to improve the effective tax rate and result in lower statutory costs.

Short-term, however, the restructuring will result in one-off costs expected to amount to EUR 7 million. A majority of these costs will be accounted for in 2018 thus putting pressure on our balance sheet.

It is in the light of this, very encouraging that the transformation of the Group has the full support of our major owners. Separately, Cavotec today announced its plans for a new rights issue of approximately EUR 20 million with preferential rights for its existing shareholders. The entire rights issue will be covered by a subscription and guarantee undertaking by Bure Equity AB.

This gives us the full firepower needed to swiftly execute on the restructuring and also provides room for quick actions on opportunities for accelerated growth.

ENDS

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This is information that Cavotec SA is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07:01 CET on 2 November 2018.

Attachment

- Q318 Quarterly Report